

## Montebello Oversight Board approves \$1.4 million settlement to auto dealer who lost two suits

By Juliette Funes, *SGVN* [twitter.com/juliette\\_funes](https://twitter.com/juliette_funes) San Gabriel Valley Tribune

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A former car dealership owner who unsuccessfully sued Montebello twice over a 2009 last-minute land deal is getting an unexpected windfall of about \$1.6 million.

Ara Sevacherian - the former owner of Ostrom Chevrolet on Whittier Boulevard - twice sued the city and its former redevelopment agency in 2010. The first time he said the redevelopment agency reneged on an agreement to buy more of his land. In the second suit, he accused the city of misusing redevelopment funds.

Although he lost both legal battles, Sevacherian was still seeking damages on the land.

To settle the dispute, the Montebello Oversight Board - and entity that oversees the winddown of redevelopment assets - last month recommended approving a \$1.4 million settlement payable over three years.

The payment, about \$1.6 million with interest, was approved by the state Department of Finance on April 5.

Attorney Jeffrey Oderman said Sevacherian was happy the case was over.

"We worked out a settlement that Mr. Sevacherian believes is fair and we will move on," Oderman said.

Councilman Bill Molinari, a longtime opponent of deals with Sevacherian, said he was flabbergasted by the decision.

"It's beyond my comprehension," Molinari said. "When you lose both lawsuits, why they decided to give him \$1.4 million, I think it's political accommodation. There was no legal basis for it. He got a windfall he wasn't entitled to at the taxpayers' expense. "

The city's former redevelopment agency in 2009 purchased a 2.7-acre lot owned by Ostrom Chevrolet for \$12 million to help the decades-old business - one of the top 10 sales-tax producers in the city - stay open.

Because Sevacherian owed the city \$3 million from a \$5 million loan he got in the mid-1990s to upgrade the facility, the agency was credited with that money. It was still on the hook for the remaining \$9 million, so the city used a \$5 million bond that was purchased in 2007 as part of its funding to purchase the land. The remainder was expected to be repaid with redevelopment agency funds over a 20-year period.

Sevacherian now leases the property from the city and subleases it to another car dealer, who now operates it under the name Chevrolet of Montebello.

A year after the purchase, Sevacherian sued the city's redevelopment agency for breach of contract after it failed to come through on an agreement to purchase a number of his properties related to the auto business for \$3.2 million.

The deal was approved a day before then-council members Kathy Salazar, Robert Urteaga and Rosie Vasquez were to leave office in November 2009. Vasquez lost the election, and Urteaga and Salazar were recalled.

The incoming City Council members and Molinari were against the deal. The city never paid Sevacherian, arguing that the contract was never finalized because the city attorney did not sign it.

Months later, Sevacherian filed a second lawsuit in an effort to stop the city from using \$17 million in redevelopment funds for operating expenses, calling the loan illegal.

A judge in September 2011 dismissed the second lawsuit because the city repaid the loan. The city also prevailed on the first lawsuit, when the judge ruled the city was not in breach of contract and did not have to buy the property.

For the next three years, the city's Recognized Obligation Payment Schedules - which are utilized to pay down all of the defunct redevelopment agency's long-term debt service - will include a line item to pay off the settlement amount, Director of Planning and Community Development Mike Huntley said.

"Because this is a settlement agreement from what was the redevelopment agency, the amount of money is tracked into the ROPS," Huntley said.

The settlement will be paid through property tax revenues, Oderman said.

Molinari said the city is getting the short end of the stick with having to pay off the purchase price of the property, and now the settlement related to it.

"I think it's very unfair to the taxpayers of Montebello," Molinari said.